

## CHAPTER VIII

### COMPANY'S EXPECTATIONS OF THE DEALER

Communication network is not the only aspect of the company-dealer relations programme. There are other elements which are equally important and one of these is the Sales and Operating Analysis.<sup>34</sup> Back in the "filling station" days when operators were mere "order takers" dispensing the amounts of gasoline and motor-oil the motorists asked for, dealers did not concern themselves with sales potentials and gallage trends.<sup>35</sup> However, to-day's service stations must operate just the opposite way, because they are a complex, fast-paced competitive business. The dealer no longer can have a successful business by operating just as an order taker. He must study his sales potentials, know modern station operation and sales techniques which will help him reach

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<sup>34</sup> See Esso, Retail Sales Development, Esso Standard, New York.

<sup>35</sup> These trends show the number of gallons expected to be sold in a specific period. The trends are usually calculated from past records.

prospective customers and turn them into regular customers, and plan his sales program carefully to take advantage of all the opportunities that are his.

To-day's service stations require large capital investments - sites, buildings, equipment and it takes efficient, active selling to bring satisfactory returns on these investments. Therefore, every dealer should have a sales plan which is based on past and present accomplishments and which includes an objective for the future. The monthly sales record is the dealer's scoreboard. The sales record is so designed as to record all the important sales information.

There are provisions not for daily and monthly total sales, but also for a comparison of actual sales with objectives planned for the period. In addition and very important, is the monthly analysis at the bottom of the record.<sup>36</sup> Here are provided the answers to show how well the station has been doing for the month, where it might need additional help, and most of all, where and how much it fell short of its objective. It is the dealer's gain or loss that can be translated into the success or failure of an outlet and it is this which provides the motivation of good retail

sales development.

This is a record that never fails to reveal a declining or improving business enterprise.

Increasing sales figures highlight the good work of the dealer, giving him an opportunity to commend and encourage those who are responsible for the upward trend in his business. What are the objectives of this sales analysis? In such a big commercial firm as Esso Std. Eastern, Inc. there are diverse and clear cut objectives, the main ones of which are to use this analysis as a reliable "signpost" to guide the company's dealers in their attempt to streamline their enterprises and to maximise their profit

potentials. A very good guide that the company can use to interpret market conditions is the sales records.

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These records are necessary for determining trends, analysing weakness, and setting incentives on the part of the dealer. From the sales records, sales analyses are prepared. These analyses are derived from fluctuations in sales figures. Taking into consideration different economic variables like a sudden decrease in car registrations or a sudden increase in the taxation of gasoline, the company

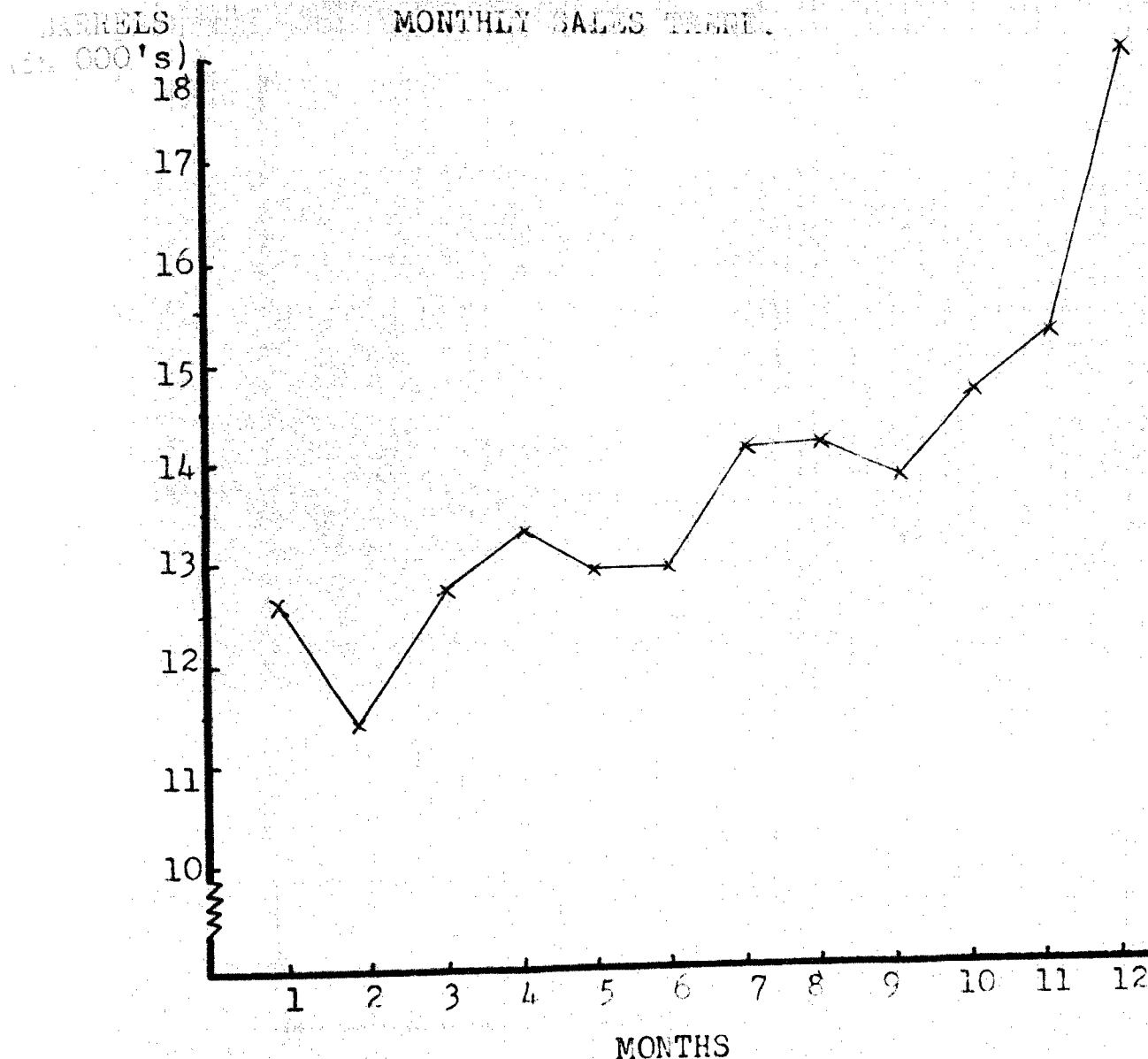
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These sales records are prepared by the company's International Business Machine (I.B.M.) Department.

GRAPH 1

MOTOR GASOLINE PREMIUM - CMD, SED, & SED.



This is an actual sales record computed from sales figures, 1965. The graph shows a great decline in February but sales improve slightly from February to April, after which there is a slight decline again. Sales position improves slightly again from June to July. Then a downward trend sets in again. In September sales volumes are not too promising but after this, the trend changes to one of a steady increase. Company analysts attribute this to:

- i) end of year sales trend, caused by the New Year holiday periods;
- ii) the "Tiger" Sales Promotion Campaign, and
- iii) increased investment in retail outlets.

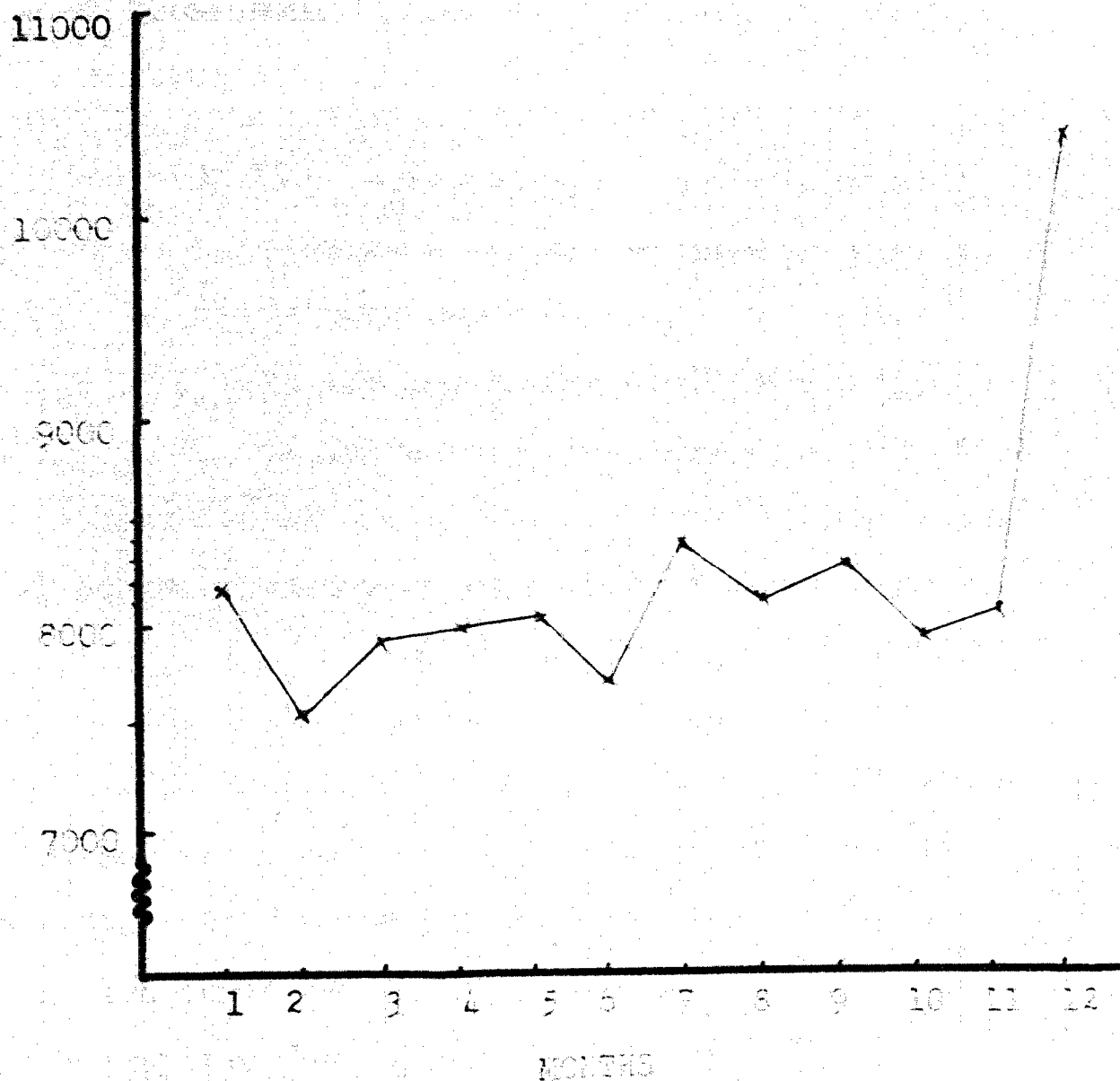
So far it is still impossible to find out how effective the Tiger Campaign is. The company is currently conducting a survey to measure this effectiveness.

# GRAPH II

MOTOR GASOLINE PORTION - N.I.D.

MONTHLY SALES T-11 - 1965

BARRELS



The sales trend in this case is almost similar to the one shown in Graph I except the portion at end of year. The trend shows that on the introduction of the Tiger Campaign in North Malaya District, the reaction from the consumers was at first negligible. In fact the reaction acted negatively to sales figures. But when the public had been exposed to the campaign for about two months, sales volumes increased tremendously. Other variables, like end of year holiday periods and increased investment of course, came into play too.

tries to examine what are the factors that have caused a certain decline or increase in sales as reflected in the sales record. As these records are of tremendous importance, the company insists that dealers make use of them.

On the company side, the monthly records  
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prepared by dealers are totalled up and compared with what the company has computed. These figures are then translated into graphs by the Marketing Analysis Department and the sales trends are finally presented for analysis. Two examples of these sales trends are illustrated here in the form of Graphs 1 and 2. These two graphs show almost similar trends except at end of year. From them the company would be able to forecast its future actions and dealer requirements on a month to month basis. Comparing these trends with past records, a fairly accurate forecast could be got in the areas of stock, inventory and future investment. This will enable the company to be always on the readiness to meet dealer needs and orders promptly. An inability to do these expeditiously will cause losses and curtailment

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These records are collected by the company's salesmen who also keep records of their sales to their respective dealers. Every month salesmen must submit returns of their sales figures.

of business both to the company and the dealer. This inefficiency will certainly not be conducive to the fostering of a cordial company-dealer relationship.

Records for determining profit and loss - usually required by law and strongly advocated by the company - are important to the dealer. Records of expenses enable a dealer to analyse and control his expenses. Payroll and personnel records are important to the dealer in determining his labour costs. Inventory records help the dealer in cutting down excessive stock and analysing his stock needs. Credit records are necessary to run a sound credit business and they enable a dealer to give his customers good credit service, and at the same time cut down his credit losses. Finally, fixed assets records are required for determining depreciation allowance and to provide the dealer with proof of ownership.

In its Company-Dealer Relations Programme, Esso also occasionally grants loans to its promising dealers. Following is a form, Service Station Operating Analysis, which is an important indicator of whether a dealer is solvent or not. This is on the assumption that his only business is that of running a service station. This form provides a system of careful analysis and it is especially useful when a dealer wants loan to:-

- i) acquire better equipment;
- ii) face competitive cash demand for purchases, and,
- iii) face a cash shortage due to unforeseen circumstances.

The basis for the grant of the loan is to examine the dealer's position in his service station business. In this particular case, the analysis shows that the dealer has a total profit of \$904 per month. This figure is then compared to the initial investment of the station but of greater importance, will be its current operating capacity,<sup>39</sup> location, and size.<sup>40</sup> Assuming that the station with two bays, a net profit of \$904 is quite good. However, this alone is not sufficient and the company will take into consideration the operating analysis records of past returns too. These records will enable the company to see whether the station has progressed or not. If there has been a steady decline in sales, the company will then try to analyse the variables that cause the decline and

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<sup>39</sup> This denotes the total volume of gasoline a service station can store in its inventory. This volume is usually by gallons.

<sup>40</sup> See Appendix B on Terminology used.





# STATION OPERATING ANALYSIS

SALES AND GROSS PROFIT				EXPENSE		GROSS PROFIT
PRODUCT OR SERVICE	SALES	GROSS PROFIT	AMOUNT	AMOUNT	%	
REGULAR GASOLINE	8058	14.5	1168			
PREMIUM GASOLINE	5815	12.5	727			
DIESEL	3296	7.0	230			
			50			
REGULAR MOTOR OIL	17164	12.1	2075	54		
PREMIUM MOTOR OIL	30	1.70	51			
SAE 10W-30	62	1.49	92			
SAE 15W-40	134	1.12	150			
TOTAL MOTOR OIL	226		293	8		
SAE 10W-30	240	1.34	32			
SAE 15W-40						
SAE 20W-50						
SAE 30W-60						
SAE 40W-70						
SAE 50W-90						
SAE 60W-100						
SAE 70W-110						
SAE 80W-120						
SAE 90W-130						
SAE 100W-140						
SAE 110W-150						
SAE 120W-160						
SAE 130W-170						
SAE 140W-180						
SAE 150W-190						
SAE 160W-200						
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SAE 970W-1010						
SAE 980W-1020						
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SAE 2290W-2330						
SAE 2300W-2340						
SAE 2310W-2350						
SAE 2320W-2360						

after this only, will it consider whether to forward a loan or not. The sum of the profit is the main indicator of the size of loan the company is prepared to give. Depending on the amount and type of investment a dealer wants to undertake, for a regular profit of around one thousand dollars a month, the company is prepared to forward a grant of up to ten thousand dollars.

Where losses are regularly sustained, the company is more susceptible where the granting of a loan is concerned. In this case the risk of repayment is great. However, these unfortunate dealers are not entirely barred from this privilege given by the company which is always sympathetic towards its dealers. Therefore when an application for loan is forwarded by any of these dealers, the company will conduct analyses as to the causes of the losses and if it is proved that a loan will pull him out of his difficulties and help him attain a sound footing in his service station business, a loan can be made available to him.

The record system for Esso dealers has these outstanding features:-

- 1) A daily report which serves as a basis for all the records. This daily sales sheet

makes it as easy as possible for the dealer to accumulate all of the information is then fed into the rest of the records.

2) A work sheet, provided with the daily report on which to enter actual figures and to make computations.

In order to be of value to the dealer, these records are explained during personnel training by the salesman; along with the necessary follow-up review. A dealer who has been convinced that he needs a good accounting system and has been trained on how to keep records and analyse the information they contain, has gone a long way in becoming a better independent businessman.

The Esso company therefore stresses on dealers keeping these records because it is necessary for the dealers to keep good records, not only because it is compulsory by law in many areas, but because they enable them to:-

1) analyse their business performance so that they can direct the efforts of their men better and determine what improvements and programmes are needed. They then can take constructive action towards increasing their profits.

- ii) analyse their labour costs and other expenses. This gives them control of their cost of doing business which has an important effect on their net profit.
- iii) control and analyse their credit business, which is essential if he is to expand credit wisely. Many dealers fail more because of poor credit control than for any other reason.
- iv) have a basis for sales incentive, because records are necessary for setting up a bonus plan and stock control by analysing stock requirements and cutting down stock losses.
- v) claim all deductions that are allowed under income tax laws, such as depreciation of fixed assets.

### Necessity of analysis

After reading the above reasons, it is imperative therefore that both the company and the dealers have a proper system of analysis. It must be stressed again that the Esso-dealer relations programme is not only to foster good relations between the company and its dealers but also to help one another make profits in their respective positions as businessmen.

It is necessary therefore, that each service

station be analysed by company salesmen to determine the basic retailing problems that are preventing it from reaching maximum gallonage. This should be done in order to determine the most productive use of a salesman's time in respect to a given service station. What may be wrong with a service station may bear no relationship to the current promotion programme that the salesman might be suggesting to the dealer. Once the basic problems are identified, a course of action must be resolved with care being taken that the salesman is not diverted by the constant pressures of less important current activities. As far as the company is concerned the salesman is the most important person who links the dealer to the company. In its company-dealer relations, the salesman brings about this contact between dealers and the company. As such, it is of benefit that the salesman's role be discussed here briefly. The success or failure of this company-dealer relations programme depends to a great extent on the salesman's activities which include selling to the dealer and following current programmes like a nationwide campaign on sales promotion. The big danger is

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The present one is the "Tiger Campaign" to boost the sales of gasoline and Esso Motor Oil. This campaign was started around September last year and has proved to be quite successful. The Marketing Analysis Department of Esso is now conducting a survey to assess its impact on sales.

that routine functions like credit collections, tank and pump repair orders, and the dealers statement will take all of the salesman's time to the exclusion of solution of basic problems.

### The Objectives and Benefits of Analysing Dealer Operations

The objectives of the analysis are:

- 1) To clarify and make the company sales representatives know more of Esso's Retail Marketing Philosophy and concepts and how they affect dealers.
- 2) To increase company's knowledge and skill in how to help its dealers build profitable and growing business.
- 3) To develop the knowledge and skill the company needs in selling more products through its dealers.

The sales representatives' effort, participation and enthusiastic application of the know-how developed will provide benefits to dealers. They are:-

- 1) Greater earnings from time, effort and money invested.
- 2) More stimulating and satisfying operation.
- 3) Increased recognition as sound businessmen from employees, customers, and the public.

- 4) Greater security and business control.

Benefits to Esso:-

- 1) Increased sales and return on investment.
- 2) More efficient distribution and lower costs.
- 3) Improved competitive position in each market.
- 4) Increased dealer and consumer recognition and loyalty.
- 5) Added value in one of the most important of Esso's resources - the Salesmen.

The company looks to the dealer to make Esso a prominent factor in his market by projecting a favourable "Esso Image" and achieve sales objectives of Esso products by providing an efficient and adequate sales and service facilities. It looks to its retail salesmen to aid the dealer in improving the his sales and profit performance and, thereby, help the company achieve its retail sales and profit objectives. Esso believes that successful retail outlets are important because:-

- 1) Service stations are a major area of investment. Sub-standard or failing dealers limit return on investment.
- 2) Service stations are a major source of company's sales and profit. Esso growth is

geared to its dealers' growth.

- 3) Dealer success projects a favourable Esso image to the motoring public.

These operations are very important in the area of company-dealer relations programme; for successful operations will assist a dealer:-

- 1) to earn good return on his investment. Unsatisfactory returns may cause him to invest his money elsewhere.
- 2) to satisfy his earning goals and living needs. Unless his earnings match those he can make in other fields of business, he is likely to seek different employment.

Realising the tremendous importance of the above reasons, Esso must always work with its dealers in a continuing relationship of mutual trust and confidence. This calls for a skillful approach to the selling function which involves helping a dealer determine his opportunities for improvement, guiding and counselling him continuously to help him achieve his goals.

Besides these, the company also expects the dealers to keep in good order and clean appearance their service stations. This is to be achieved through careful maintenance and "housekeeping efficiency". Courteous service is also a good business practice.



When station appearance layout and good service are kept at their highest order, the dealer will be more able to:-

- 1) hold present customers;
- 2) attract more and better customers;
- 3) build customer confidence;
- 4) make it easier for people to buy;
- 5) establish neighbourhood goodwill;
- 6) achieve social standing in the community;
- 7) cut labour cost in relation to sales volumes
- 8) increase personnel morale;
- 9) work faster and save time; and
- 10) maintain good profit margins.

The company places high priority on these qualities for it believes that a station's appearance helps motorists decide whether to trade there, or at a competitive outlet a block or two away. The transient motorist is attracted first by appearance and it cannot be denied that good appearance, ready service, and efficient maintenance of a service station, favourably affect the profit picture.

It is the company's policy to invest in company owned service stations in key marketing areas and at key locations. The company invests in key locations to ensure high volume outlets that will cover

and draw trade from a wide marketing area. The high volume outlet is usually much more profitable to the company than a number of smaller volume outlets covering about the same marketing area. Following is an illustration showing a typical Esso retail outlet. This outlet is one of medium size with only one bay and as shown, it is well exposed to the motoring public for it has roads on three sides of it. This is the type of outlet and location the company wishes very much to invest.

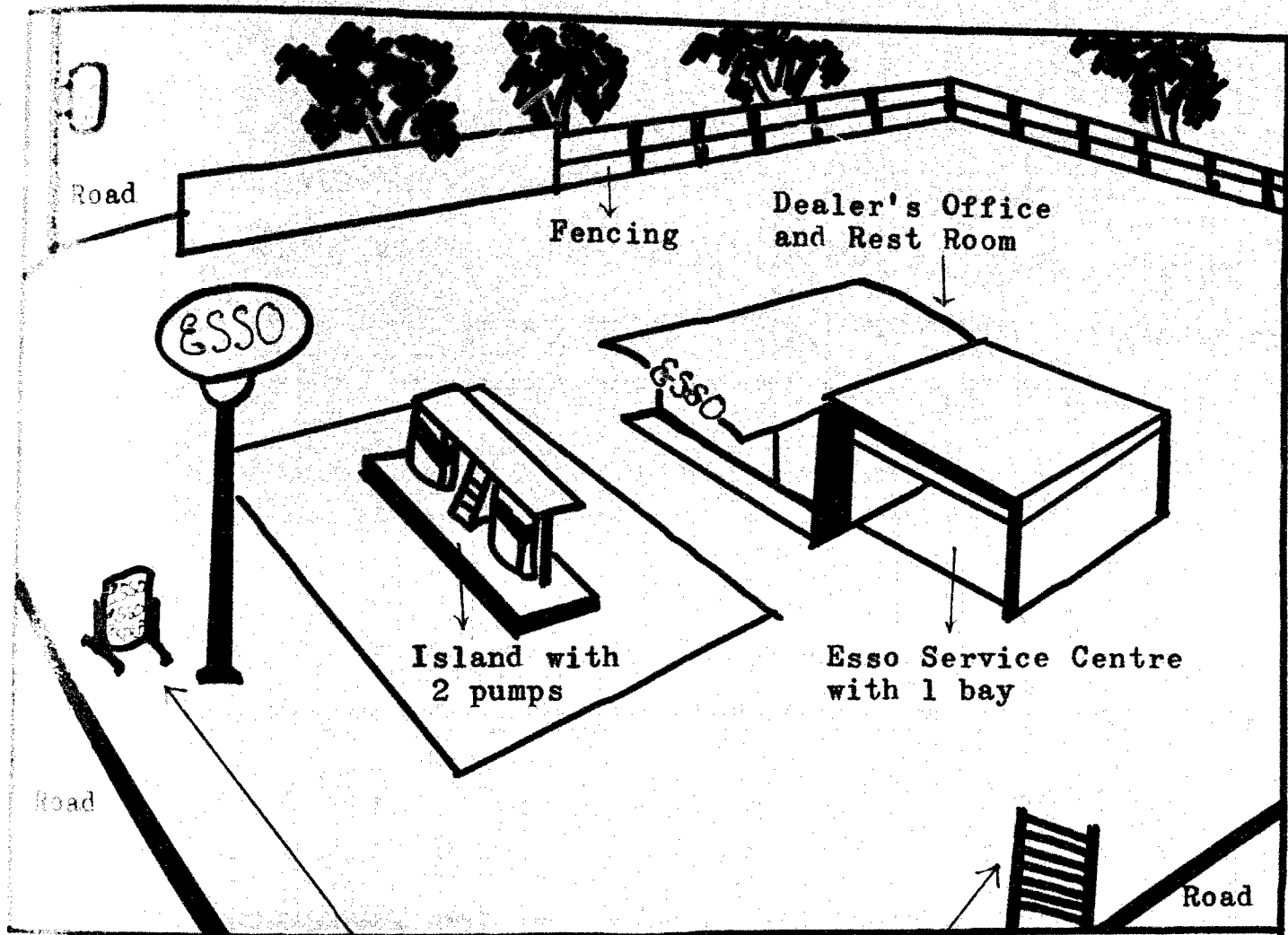
The company wishes to maintain a continual programme for upgrading its retail outlets in terms of facilities, appearance, and service and to eliminate gradually dealer outlets of a marginal nature that cannot meet the company's standards in terms of physical facilities or profit potentials. This means rigid standards of painting, maintenance, and cleanliness of the station outlet.

#### Change of Dealers:-

Change of dealers is something which the company often feels reluctant to do as this will sometimes affect the company-dealer relations programme. However, on grounds of return on investment, the company occasionally has no alternative but to take action when a dealer's station:-

- 1) has suffered persistent declining sales;

# The Typical Esso Retail Service Station



CLEAN  
REST  
ROOMS

ESSO  
ESSO  
EXTRA

CAR WASH  
LUBRICATION  
UNDERCOATING  
TIRE SERVICE

- 2) shows poor efforts by dealer and his staff; and
- 3) shows very strained company-dealer relations.

A change of dealers takes place mainly under the above circumstances because the company, fully aware of the state of competition at present, cannot afford to have poor-grade dealers when it can replace them with better calibre personnel. By far, the most important factor affecting the company's sales volume is the dealer and consequently the company is at all times appraising his business acumen and sales potentials. A promising dealer is given all the help possible. Additional investment in recruiting, training and orienting dealers and follow up activities will be necessary to obtain better dealers and better performance from existing dealers. Good dealership is therefore of great significance and in this area the sales representative has two guiding questions:

- 1) How many good dealers does the company need?
- 2) How much more profit can they bring to the company?

Usually changing of dealers is the result of a very carefully planned approach by the district management and in no case is the change made under conditions which would have an adverse effect on the

company. A long term programme is worked out in the event of a change of dealers to convince the outgoing dealer that the service station business is not good for him. The company notes with interest that where it has poor control over the dealer, it can expect greater benefits from a dealer change and therefore when the company desires to sign a contract with a prospective dealer for a long term period, it is very selective in its choice.

The Esso dealer is indeed a privileged "customer" of the company. He is not in actual sense the owner of the station as he runs it on a lease basis and rents have to be paid to the company for the use of the station. Service station business is good, it provides excellent opportunities for a promising independent businessman who is the dealer.